

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES OFFICE OF THE COMMISSIONER

SEAN PARNELL, GOVERNOR

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June 11, 2010

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Danny S. Davis, President
Escopeta Oil Company, LLC
5005 Riverway, Suite 440
Houston, Texas 77056

Re: Voluntary Termination of the North Alexander Unit
Expiration and Termination of Leases - ADL 389212, ADL 389213, and ADL 389935

Dear Mr. Davis:

In your letter dated May 28, 2010, Escopeta Oil Company, LLC (Escopeta), as operator of the North Alexander Unit (NAU), notified the State of Alaska, Department of Natural Resources, Division of Oil and Gas (Division) of the working interest owners' (WIOs) unanimous decision to terminate the NAU Agreement, and their desire that the three leases which are past their primary term, ADLs 389212, 389213, 389935, be allowed to expire with the termination of the NAU.

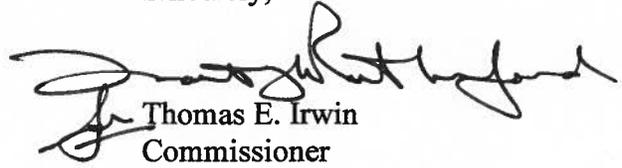
I approve the voluntary termination of the NAU Agreement, effective May 28, 2010, in accordance with Article 14.5 of the NAU Agreement and 11 AAC 83.336(c). As requested by the WIOs, ADL 389212, ADL 389213, and ADL 389935 are terminated effective May 28, 2010, notwithstanding Article 15.2 of the NAU Agreement and 11 AAC 83.336(d). The remaining lease within the NAU, ADL 390586, is within its primary term, and continues under its individual lease terms. This unit termination approval does not relieve Escopeta from its obligations under Article 15.3 of the NAU Agreement and the individual leases to remove all machinery, equipment, tools and materials, and to restore the surface of the lease area.

A person affected by this decision may request reconsideration, in accordance with 11 AAC 02. Any reconsideration request must be received within 20 calendar days after the date of "issuance" of this decision, as defined in 11 AAC 02.040(c) and (d), and may be mailed or delivered to Thomas E Irwin, Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918; or sent by electronic mail to dnr.appeals@alaska.gov. This decision takes effect immediately. If reconsideration is not requested by the deadline, this decision becomes a final administrative order and decision of the department on the 31st day after issuance. Failure of the commissioner to act on a request for reconsideration within 30 days after issuance of this decision is a denial of reconsideration and is a final administrative order and decision for purposes of an appeal to Superior Court. The decision may then be appealed to Superior Court within a further 30 days in accordance with the rules of the court, and to the extent permitted by applicable law. An eligible person must first request reconsideration of this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans."

Questions may be directed to Wendy Woolf with the Division at (907) 269-8779.

Sincerely,



Thomas E. Irwin
Commissioner

cc: Kevin Banks, DO&G
Jeff Landry, DOL
Wendy Woolf, DO&G